



Annual Report
FIRST NATIONAL STORES INC.
year ending

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March 31st 1945

FIRST NATIONAL STORES INC.

Officers

ARTHUR O'KEEFFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
JAMES C. DUANE	<i>Vice-President</i>
BERNARD F. MCGOLDRICK	<i>Vice-President</i>
MORRIS JOSELOFF	<i>Vice-President</i>
JOHN L. MACNEIL	<i>Vice-President</i>
JOHN E. ELWELL	<i>Clerk</i>



Executive Committee

CHARLES F. ADAMS
RALPH F. BURKARD
MORRIS JOSELOFF
BERNARD F. MCGOLDRICK
ARTHUR O'KEEFFE



Directors

CHARLES F. ADAMS	MORRIS JOSELOFF
CHARLES H. BURGER	SAMUEL JOSELOFF
RALPH F. BURKARD	JOHN L. MACNEIL
JAMES C. DUANE	BERNARD F. MCGOLDRICK
BYRON M. FLEMMING	JAMES J. O'HARE
ROBERT F. IRWIN	ARTHUR O'KEEFFE

Somerville, Massachusetts, July 27, 1945.

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

The Annual Report of your Company for the fiscal year ending March 31, 1945 is presented herewith.

The figures given in this report are comparable with those of the prior year as there has been no change in the Company's established method of bookkeeping. The Balance Sheet and Statement of Earnings and Surplus Account have been prepared by independent accountants, Messrs. Price, Waterhouse & Co., and their statement of comments thereon is included in this report.

Results of our operations show an increase in our sales of 3.22% and a final net profit after all charges and Federal Taxes equivalent to \$2.80 per share as compared with \$2.73 per share for the previous fiscal year.

The following is a condensed summary of operations for the fiscal year ending March 31, 1945, compared with operations for the fiscal year ending April 1, 1944.

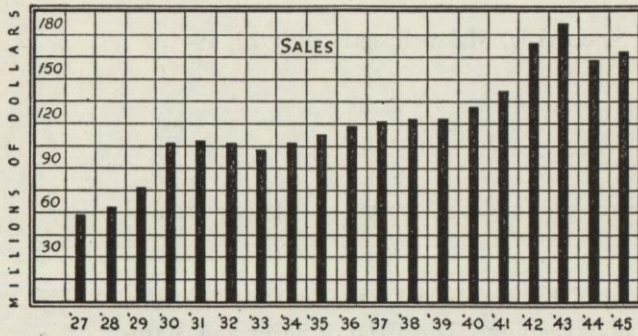
	<i>For the Fiscal Year Ending</i>	
	<i>March 31, 1945</i> <i>(52 Weeks)</i>	<i>April 1, 1944</i> <i>(53 Weeks)</i>
Retail stores sales	\$170,236,678	\$164,924,978
Net profits after taxes, depreciation and all charges and available for dividends	\$2,294,604	\$2,235,104
Earnings per share of common stock (on shares outstanding at end of year)	\$2.80	\$2.73
	<i>As Of</i>	
	<i>March 31, 1945</i>	<i>April 1, 1944</i>
Net working capital (current assets less current liabilities)	\$17,801,819	\$17,604,801
Fixed or property assets (less depreciation)	\$9,171,562	\$9,269,653
Net worth	\$26,481,282	\$26,233,098
Earned Surplus	\$19,745,003	\$19,496,819

On the following page are graphic charts which show the results of our operations for the past nineteen years.

DEPRECIATION CHARGES AND MAINTENANCE CHARGES

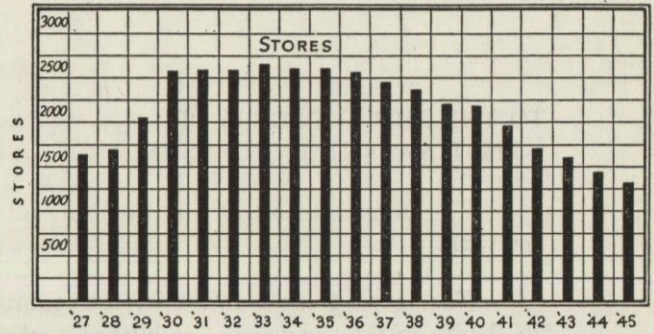
	<i>Fiscal Years</i>			
	<i>1945</i>	<i>1944</i>	<i>1943</i>	<i>1942</i>
Depreciation charges	\$962,360	\$955,488	\$986,380	\$1,004,865
Maintenance repairs and renovation charges	\$1,254,005	\$873,783	\$952,847	\$1,118,664

The above amounts were charged to earnings in their respective years to cover the depreciation, maintenance repairs and renovation of all of our depreciable assets, including buildings owned, store and plant fixtures, improvements, machinery, equipment, automobiles and trucks.



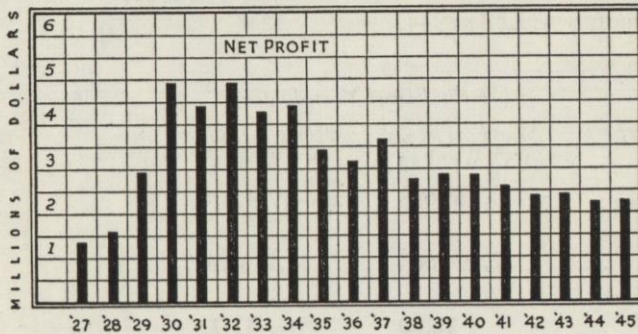
Retail Store Sales—Fiscal Years

1927	\$59,038,304	1933	\$100,892,947	1939	\$124,222,955
1928	64,445,962	1934	105,812,781	1940	131,041,157
1929	75,884,639	1935	111,323,463	1941	142,680,921
1930	107,635,216	1936	119,575,417	1942	174,378,932
1931	108,196,686	1937	120,682,961	1943	187,839,592
1932	107,634,383	1938	124,294,617	1944	164,924,978
				1945	170,236,678



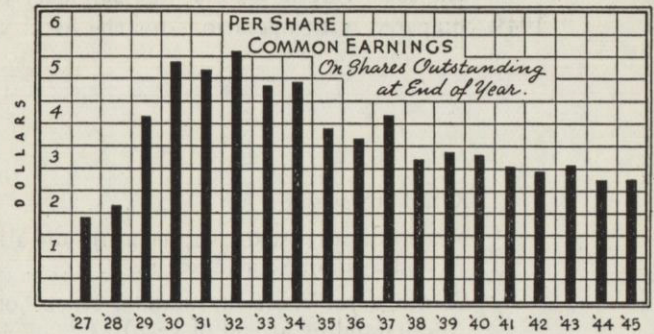
Stores—Fiscal Years

1927	1681	1933	2705	1939	2244
1928	1717	1934	2653	1940	2137
1929	2002	1935	2623	1941	1923
1930	2549	1936	2556	1942	1748
1931	2548	1937	2473	1943	1585
1932	2546	1938	2350	1944	1463
				1945	1340



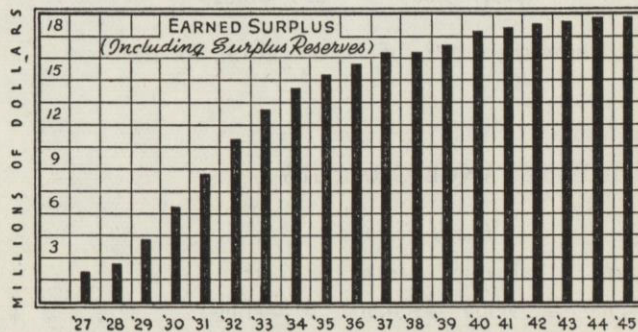
Net Profits—Fiscal Years

1927	\$1,492,193	1933	\$4,220,099	1939	\$2,774,366
1928	1,593,358	1934	4,394,830	1940	2,739,074
1929	2,904,884	1935	3,433,504	1941	2,508,719
1930	4,773,446	1936	3,163,329	1942	2,380,294
1931	4,479,108	1937	3,647,001	1943	2,465,079
1932	4,825,611	1938	2,705,191	1944	2,235,104
				1945	2,294,604



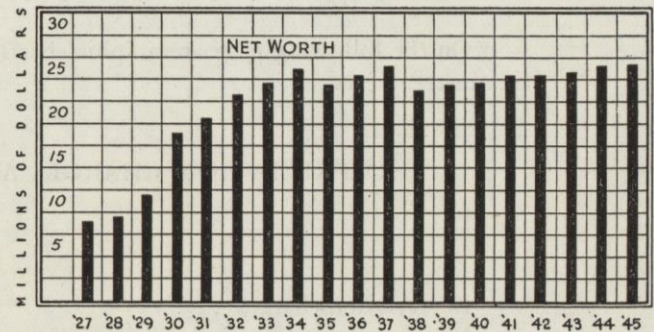
Per Share Common—Fiscal Years

1927	\$1.92	1933	\$4.78	1939	\$3.38
1928	2.09	1934	4.97	1940	3.34
1929	4.07	1935	3.89	1941	3.06
1930	5.39	1936	3.65	1942	2.90
1931	5.03	1937	4.24	1943	3.01
1932	5.52	1938	3.14	1944	2.73
				1945	2.80



Surplus (Including Surplus Reserves)
Fiscal Years

1927	\$1,996,375	1933	\$12,666,672	1939	\$17,423,131
1928	2,238,303	1934	14,213,494	1940	18,112,565
1929	3,987,782	1935	15,121,448	1941	18,572,964
1930	6,369,726	1936	16,062,827	1942	18,889,476
1931	8,371,910	1937	16,670,118	1943	19,308,135
1932	10,816,321	1938	16,688,036	1944	19,496,819
				1945	19,745,003



Net Worth—Fiscal Years

1927	\$8,723,782	1933	\$24,644,049	1939	\$24,216,168
1928	8,965,710	1934	26,190,916	1940	24,874,883
1929	11,724,410	1935	24,820,470	1941	25,293,286
1930	18,347,148	1936	25,761,849	1942	25,625,755
1931	20,349,333	1937	26,369,140	1943	26,044,414
1932	22,793,743	1938	23,746,089	1944	26,233,098
				1945	26,481,282

DIVIDENDS PAID

For the fiscal year ending March 31, 1945, four quarterly dividends of 62½ cents a share totalling \$2.50 were paid on the common stock outstanding.

GROCERY STORES AND MARKETS

Your company had in operation on	<i>March 31, 1945</i>	<i>April 1, 1944</i>
Grocery Stores	942	1,057
Markets or Combination Grocery, Fruit, Vegetable and Meat Stores	398	406
Total Grocery Stores and Markets	1,340	1,463

As of March 31, 1945, we had in operation 123 fewer stores than on April 1, 1944. Of the 942 grocery stores, 199 are of the Self-Service type and of the 398 markets, 270 are Self-Service markets. It is our plan to open additional stores and markets of the Self-Service type as soon as the materials for construction and equipment are again available for civilian use.

BANK LOANS

During the past fiscal year we paid \$640,000 on our loan with the First National Bank of Boston. On May 12, 1945, a further payment of \$320,000 was made and the unpaid balance at this time amounts to \$1,760,000. This loan, originally \$4,000,000 was made on May 11, 1942 and calls for semi-annual payments of \$320,000 each and the final balance is due in 1947. We have the privilege of paying the balance before maturity if we elect to do so.

TAXES

For the fiscal year ending March 31, 1945, earnings were charged with direct taxes of \$4,776,961. This amounts to 67% of our profits before taxes for the year or \$5.83 for each share of our Common Stock. A summary of our direct taxes follows.

<i>Fiscal Year</i>	<i>Total Direct Taxes</i>	<i>% of Income (before taxes)</i>	<i>Per Share On Common</i>	<i>Per Store Operated</i>
1945	\$4,776,961	67%	\$5.83	\$3,564
1944	4,374,410	66%	5.34	2,990
1943	4,779,787	66%	5.84	3,015
1942	2,647,530	52%	3.23	1,514
1941	2,002,231	44%	2.44	1,041
1940	1,656,274	37%	2.02	753
1935	1,111,096	24%	1.36	420
1930	796,693	14%	.97	324

COMMENTS

The past fiscal year, from an operating standpoint, was one of the most difficult in the history of our business. Many important foods continued to be scarce and in general, procurement of merchandise to sell was an effort far beyond that of normal years.

Since the close of the last fiscal year, our receipts of fresh meats have been drastically reduced and this drop in receipts has continued up to now. However, the Government has recently taken several remedial steps that should bring more meat into our territory in the near future. We look for a gradual improvement in our food supplies during the coming fiscal year.

STOCKHOLDERS

Our latest dividend list shows 9,898 common stockholders. These shareholders reside in practically every city and town in New England where our stores are located and throughout the rest of the United States and some foreign countries as well. We have an average of over seven stockholder-owners for each store we operate.

The following table shows the number of our common shareholders at various intervals since 1926.

1945	1944	1938	1932	1926
9,898	9,542	9,228	4,607	1,304

With deep sorrow, we record here the death of Mr. Michael J. O'Hare on September 27, 1944. Mr. O'Hare was one of our Directors since 1925 and for forty-one years served our company and a predecessor company, the O'Keefe Company, as a sales executive loyally, ably and with untiring energy.

During the past fiscal year over 600 of our employees entered the Military Services of our Country making a grand total of over 5,900 since the outbreak of the present war. We earnestly hope for their early and safe return. We also take this opportunity to record here our appreciation for the continued support and cooperation of our working personnel in our task of carrying on our business under most difficult conditions caused by the war.

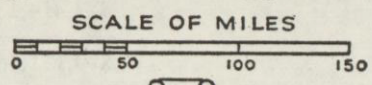
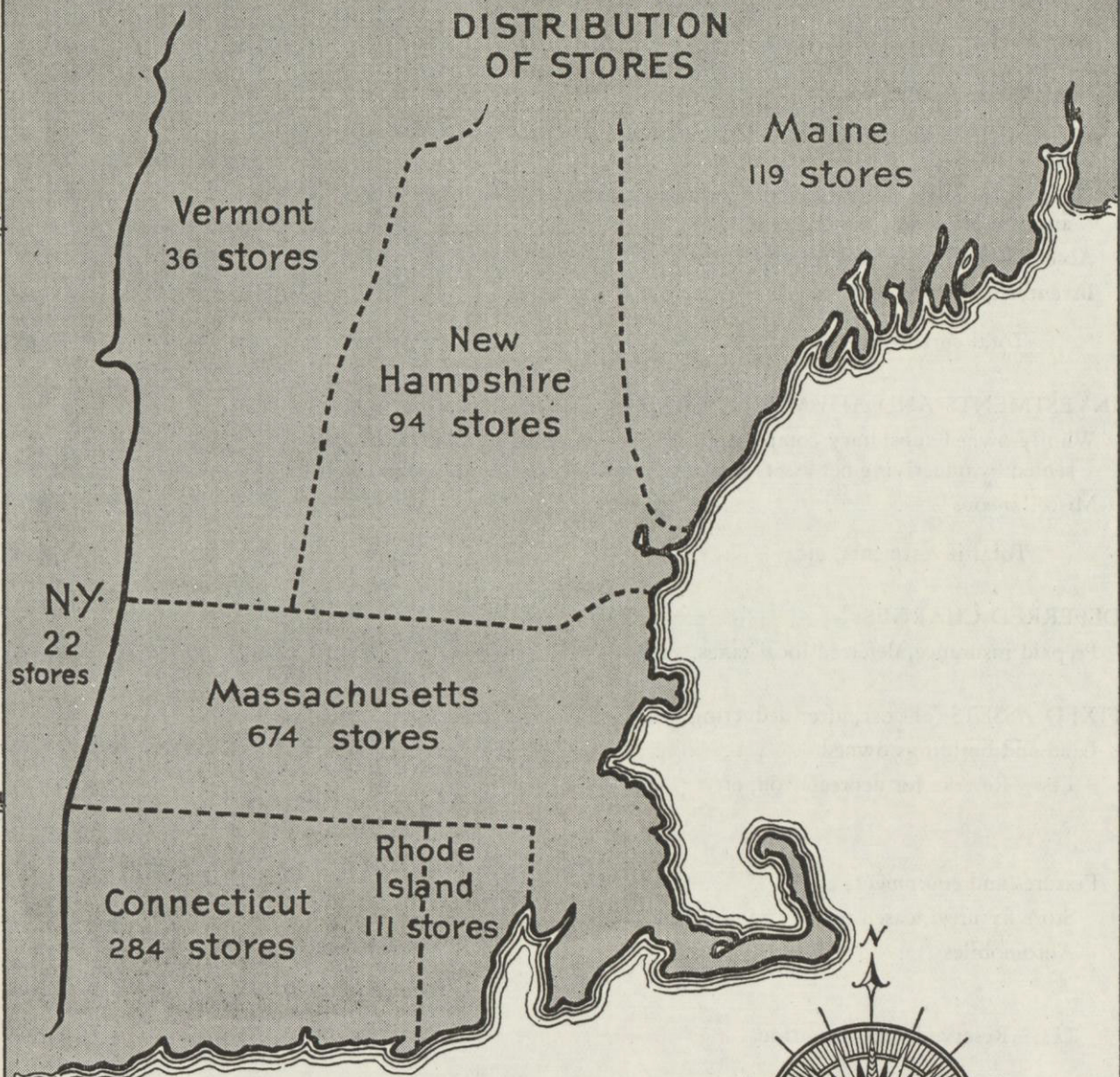
SPECIAL STOCKHOLDERS' MEETING—PROXIES

A notice of a special meeting of Stockholders, (in lieu of our usual annual meeting), proxy statement and proxy accompany this report. STOCKHOLDERS ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your Company much time and expense.

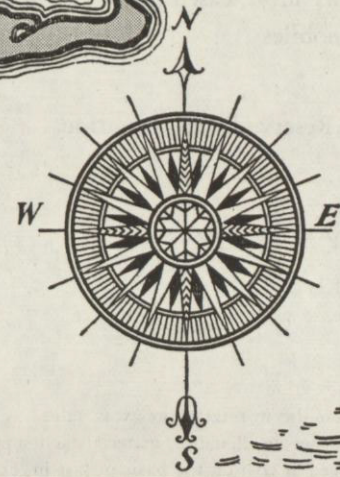
ARTHUR O'KEEFFE,
President.

FIRST NATIONAL STORES INC.

GEOGRAPHICAL DISTRIBUTION OF STORES



Total Number of Stores
as of March 31, 1945
1340



72°

70°

FIRST NATIONAL STORES INC.
BALANCE SHEET—MARCH 31, 1945
(With comparative figures as of April 1, 1944)

ASSETS	<i>March 31,</i> <i>1945</i>	<i>April 1,</i> <i>1944</i>
CURRENT ASSETS:		
Cash in banks and on hand (after deducting \$511,605 for dividend payable April 2, 1945)	\$ 9,495,997	\$ 7,077,565
U. S. Government securities (at market quotations—approximately \$98,500 at both dates)	94,800	94,800
Accounts receivable, less reserve	990,424	816,618
Inventories (See Note)	15,341,781	18,737,698
Total current assets	\$25,923,002	\$26,726,681
INVESTMENTS AND ADVANCES, ETC.:		
Wholly-owned subsidiary companies—at cost less reserve of \$40,000 (represented by underlying net assets of \$796,738 in 1945 and \$1,000,812 in 1944)	\$ 675,833	\$ 1,000,833
Miscellaneous	75,913	63,763
Total investments, etc.	\$ 751,746	\$ 1,064,596
DEFERRED CHARGES:		
Prepaid insurance, deferred local taxes, supplies, etc.	\$ 735,761	\$ 953,958
FIXED ASSETS (at cost, after deducting fully-depreciated assets):		
Land and buildings owned	\$ 8,690,166	\$ 8,290,067
Less—Reserve for depreciation, etc.	2,932,739	2,642,050
.	\$ 5,757,427	\$ 5,648,017
Fixtures and equipment, etc.—		
Store fixtures, leased property improvements, machinery and equipment	\$ 6,032,558	\$ 6,377,514
Automobiles	526,985	393,833
.	\$ 6,559,543	\$ 6,771,347
Less—Reserve for depreciation	3,145,408	3,149,711
.	\$ 3,414,135	\$ 3,621,636
Total fixed assets	\$ 9,171,562	\$ 9,269,653
GOODWILL	\$ 1	\$ 1
	\$36,582,072	\$38,014,889

NOTE: Merchandise in retail stores was valued at approximate average cost (on the basis of first in, first out) which did not exceed market; other merchandise, materials and supplies (aggregating \$8,533,821 at March 31, 1945 and \$10,609,329 at April 1, 1944) were valued at cost on the basis of last in, first out, or at market where lower in the case of individual items.

FIRST NATIONAL STORES INC.
BALANCE SHEET—MARCH 31, 1945
(With comparative figures as of April 1, 1944)

LIABILITIES	<i>March 31,</i> <i>1945</i>	<i>April 1,</i> <i>1944</i>
CURRENT LIABILITIES:		
Note payable to bank (portion due within one year)	\$ 640,000	\$ 640,000
Accounts payable	3,675,772	3,695,817
Accrued local and state taxes and other expenses	2,746,313	2,088,811
Employees' investment certificates	219,740	241,940
Reserve for estimated federal income and excess profits taxes (after deducting \$3,112,660 U. S. Treasury Tax Notes on hand in 1945 and \$1,000,000 in 1944)	839,358	2,455,312
Total current liabilities	\$ 8,121,183	\$ 9,121,880
NOTE PAYABLE TO BANK (installments due after one year)	\$ 1,440,000	\$ 2,080,000
RESERVES:		
For contingencies	\$ 334,600	\$ 334,600
Miscellaneous	205,007	245,311
Total reserves	\$ 539,607	\$ 579,911
CAPITAL STOCK AND SURPLUS:		
Common stock—		
Authorized—1,000,000 shares without par value		
Issued—827,634 shares	\$ 6,977,422	\$ 6,977,422
Earned surplus	19,745,003	19,496,819
Together	\$26,722,425	\$26,474,241
Deduct:		
Common stock held in treasury—9,057 shares, at reduced amounts carried on books	241,143	241,143
Total capital stock and surplus, less treasury stock	\$26,481,282	\$26,233,098
	\$36,582,072	\$38,014,889

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have examined the balance sheet of First National Stores Inc. as of March 31, 1945 and the statements of earnings and surplus for the fiscal year ending on that date. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying balance sheet and related statement of profit and loss and earned surplus present fairly the position of First National Stores Inc. at March 31, 1945 and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

Boston, Massachusetts.
June 27, 1945.

FIRST NATIONAL STORES INC.

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE FISCAL YEAR ENDING
MARCH 31, 1945

(With comparative figures for preceding year)

	<i>Fiscal Year Ending</i>	
	<i>March 31, 1945</i> (52 weeks)	<i>April 1, 1944</i> (53 weeks)
Sales and revenues:		
Retail store sales (Note 1)	\$170,236,678	\$164,924,978
Interest and dividends received—		
From subsidiaries (Note 2)	40,000
From others	22,313	14,747
	\$170,258,991	\$164,979,725
Costs and expenses:		
Costs of sales, expenses, etc., (exclusive of depreciation)—(Note 1) . . .	\$163,291,542	\$158,435,645
Depreciation on fixed assets	962,360	955,488
Interest paid	72,249	95,156
Loss on disposition of fixed assets (net)	17,154	53,062
Loss on investment in subsidiary companies, etc.	46,082	15,270
	\$164,389,387	\$159,554,621
	\$ 5,869,604	\$ 5,425,104
Provision for estimated federal taxes on income:		
Normal and surtax	\$ 1,305,000	\$ 1,282,000
Excess profits tax (after deducting \$252,000 in 1945 and \$212,000 in 1944 for debt retirement credit)	2,270,000	1,908,000
	\$ 3,575,000	\$ 3,190,000
Net profit	\$ 2,294,604	\$ 2,235,104
Dividends paid on common stock	2,046,420	2,046,420
Balance, carried to surplus	\$ 248,184	\$ 188,684
Earned surplus at beginning of fiscal year	19,496,819	19,308,135
Earned surplus at end of fiscal year	\$ 19,745,003	\$ 19,496,819

NOTES:

- (1) Sales to U. S. Government agencies under "set-aside orders," amounting to approximately \$2,080,000 and \$1,105,000 in the respective years, have been omitted above from the figures relating to sales and have been credited to cost of sales.
- (2) The net earnings of the wholly-owned subsidiary companies, based, principally, upon statements of other public accountants, aggregated \$74,843 in 1945 and \$8,518 in 1944.

